Marginal Effects

Lesson: https://www.youtube.com/watch?v=lJMO5kqWwIo

1. Application: Most commonly used in Logit/Probit
2. Definition: The rate of change in the slope of the probability of being equal to 1
   1. It calculated by taking the derivative (or the rate of change in the slope)
   2. In an LM model the marginal effect is simply equal to 1
3. Types
   1. Marginal effect of a Representative (MER): Pick a particular set of right hand side variables you’re particularly interested in for some reason and calculate the marginal effect for them
   2. **Average marginal effect**: Calculate each individual observation’s marginal effect and take the mean.
      1. Remember the rate of change of the slope (depending on the line of best fit) varies for each individual observation depending on where they are located on the x-axis (in logit/profit models)
      2. Average rate of change in the line of best fit.
   3. Marginal Effect at the Mean (MEM) – Calualte the average of each ariable, the get the marginal effect for some hypothetical observation

Updated Package: <https://vincentarelbundock.github.io/marginaleffects/>